

## **FISCAL NOTE**

### **HB 3661 - SB 3843**

March 17, 2006

**SUMMARY OF BILL:** Removes the provision, as it applies to sales and use tax exemptions, that services rendered between parent corporations and wholly-owned subsidiaries be retroactive to January 1, 1991. Exempts from sales and use tax the fabrication of internally developed computer software by affiliated companies for the sole use and consumption of such affiliated companies.

### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues – Exceeds \$10,000**

**Decrease Local Govt. Revenues – Exceeds \$3,000**

Assumptions:

- According to the Department of Revenue, enactment of this legislation with the term “affiliated companies” would lead some companies to create superficial cooperatives for the specific purpose of avoiding sales and use tax on transactions involving computer software that would have been taxable otherwise.
- At least \$150,000 of otherwise taxable transactions become exempt due to two or more companies becoming affiliated cooperative partners.
- State sales tax rate is 7%.
- The decrease to state revenues is estimated to exceed \$10,000 ( $\$150,000 \times 7\%$  state rate = \$10,500).
- Local option tax rate is 2.25%.
- The decrease to local government revenues is estimated to exceed \$3,000 ( $\$150,000 \times 2.25\%$  local option tax rate = \$3,375).
- This act shall take effect on July 1, 2006.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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